

**PRESBYTERY OF ALASKA**

**Financial Statements**

**Year Ended December 31, 2010 and 2009**

PRESBYTERY OF ALASKA

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Independent Accountants' Review Report

General Council – Finance Committee  
Presbytery of Alaska  
Juneau, Alaska

Ladies and Gentlemen:

We have reviewed the accompanying statements of financial position of the Presbytery of Alaska (nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities cash flows for the years then ended.

A review includes primarily applying analytical procedures to management's financial data and mail inquiries of Organization management. A review is substantially less in scope than an audit, the object of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements accordance with accounting principles generally accepted in the United States of America and designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with the Statements of Standards for Account and Review services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

*Altman, Rogers & Co.*

May 25, 2011

PRESBYTERY OF ALASKA

Statements of Financial Position

December 31, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 412,726	480,259
Accounts receivable, net	189	1,327
Accrued interest	10,428	9,092
Short term loan	-	6,000
Investments	561,984	539,580
<b>Total assets</b>	<b>\$ 985,327</b>	<b>1,036,258</b>

Liabilities and Net Assets

<b>Liabilities:</b>		
Accounts payable	152	465
Deferred revenue	5,394	11,900
<b>Total liabilities</b>	<b>5,546</b>	<b>12,365</b>
<b>Net assets:</b>		
Unrestricted	944,657	992,132
Temporarily restricted	35,124	31,761
<b>Total net assets</b>	<b>979,781</b>	<b>1,023,893</b>
<b>Total liabilities and net assets</b>	<b>\$ 985,327</b>	<b>1,036,258</b>

See accompanying notes to financial statements.

## PRESBYTERY OF ALASKA

## Statements of Activities

Years Ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
<b>Revenues and support:</b>						
Per capita assessments and pledges	\$ 98,070	-	98,070	166,185	-	166,185
Synod assistance	90,613	-	90,613	150,000	-	150,000
Contributions and offerings	71,477	-	71,477	38,064	-	38,064
Grants	-	-	-	2,225	-	2,225
Investment income (loss)	45,829	3,363	49,192	66,030	3,695	69,725
Net assets released from restriction	-	-	-	27,559	(27,559)	-
Miscellaneous	3,700	-	3,700	13,082	-	13,082
<b>Total revenue and support</b>	<u>309,689</u>	<u>3,363</u>	<u>313,052</u>	<u>463,145</u>	<u>(23,864)</u>	<u>439,281</u>
<b>Expenses:</b>						
Program expenses:						
Youth programs	-	-	-	43,965	-	43,965
Partnership programs	50,327	-	50,327	105,354	-	105,354
Mission programs	19,084	-	19,084	11,749	-	11,749
Management and general	287,753	-	287,753	332,236	-	332,236
<b>Total expenses</b>	<u>357,164</u>	<u>-</u>	<u>357,164</u>	<u>493,304</u>	<u>-</u>	<u>493,304</u>
Change in net assets	(47,475)	3,363	(44,112)	(30,159)	(23,864)	(54,023)
Net assets, beginning of year	<u>992,132</u>	<u>31,761</u>	<u>1,023,893</u>	<u>1,022,291</u>	<u>55,625</u>	<u>1,077,916</u>
Net assets, end of year	\$ <u>944,657</u>	<u>35,124</u>	<u>979,781</u>	<u>992,132</u>	<u>31,761</u>	<u>1,023,893</u>

See accompanying notes to financial statements.

PRESBYTERY OF ALASKA  
Statements of Cash Flows

Year Ended December 31, 2010 and 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<b>\$ (44,112)</b>	<b>(54,</b>
Increase (decrease) in net assets		
Adjustments to reconcile increase (decrease) in net assets to net cash- provided by operating activities:		
Gain (loss) on investments	(22,404)	(31,
(Increase)/Decrease in accounts receivable	1,138	(1,
Decrease in accounts payable	(313)	(5,
Increase in interest receivable	(1,336)	(9,
(Increase)/Decrease in loans receivable	6,000	(6,
(Decrease)/Increase in deferred revenue	(6,506)	4,
<b>NET CASH PROVIDED (USED)</b>	<b>(67,533)</b>	<b>(103,1</b>
BY OPERATING ACTIVITIES		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	-	191,8
Purchase of investments	-	(11,6
<b>NET CASH PROVIDED (USED)</b>	<b>-</b>	<b>180,2</b>
BY INVESTING ACTIVITIES		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(67,533)</b>	<b>77,0</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>480,259</b>	<b>403,2</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 412,726</b>	<b>480,2</b>

## PRESBYTERY OF ALASKA

### Notes to Financial Statements

December 31, 2010 and 2009

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Activities

The Presbytery of Alaska (the Presbytery) was organized September 14, 1884 and is a constituent presbytery of the Presbyterian Church (USA). The Presbytery is a nonprofit organization dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of Presbyterian ministry throughout Southeast Alaska. The Presbytery is supported primarily through contributions from member churches, other presbyteries, the Synod of Alaska Northwest, and the Presbyterian Church (USA).

##### Basis of Accounting and Presentation

The Presbytery's accounting records are maintained on the accrual basis of accounting under which revenues are recognized when earned and expenses when incurred. The financial statement presentation follows accounting principles generally accepted in the United States of America.

The Presbytery is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted* net assets represent that portion of net assets of the Presbytery that are not permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily restricted* net assets represent net assets subject to donor-imposed restrictions that will meet either by actions of the organization or passage of time. Items that affect this net assets category are support or revenue for which the restrictions have not been met.

*Permanently restricted* net assets are subject to donor-imposed restrictions to be maintained permanently by the Presbytery. The Presbytery currently does not have any permanently restricted assets.

##### Income Tax Status

The Presbytery is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Although the Organization is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirements of filing Federal Income Tax Form 990 and a tax liability may be determined on these activities. The Presbytery's policy is to include penalty and interest associated with income taxes in income tax expense. The Presbytery's 990 is open for audit from State or Federal taxing agencies. The previous three tax years are open for audit.

## PRESBYTERY OF ALASKA

### Notes to Financial Statements, Continued

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Presbytery includes cash on deposit, cash on certificates of deposits, and short-term investments with original maturities of three months or less cash equivalents.

#### Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Presbytery provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect their ability to meet their obligations. It is the Presbytery's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

#### Investments

All investments are stated at fair value. The Presbytery's investments consist of money market funds, marketable securities and mission development certificates. Fair value is determined by the quoted market value for the securities at year end, or the face value of the mission development certificate.

#### Investment income and gains

Investment income is derived from interest or dividends received during the year in addition to unrealized gains or losses that may have been incurred during the year. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met during the reporting period in which the income and gains are recognized.

#### Accrued Interest

Accrued interest is made up of interest earned on Mission Development certificates. When certificates mature interest earned and principal will be remitted to the Presbytery of Alaska.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Restricted and Unrestricted Revenue

Revenue is recognized to the extent of allowable expenses incurred by the grant. Deferred revenue represents cash received in advance from grantors for which allowable costs have not been incurred.

## PRESBYTERY OF ALASKA

### Notes to Financial Statements, continued

#### Fair Value of Financial Instruments

The Presbytery must disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instrument

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the balance sheets for the above financial instruments closely approximates their fair value due to the short nature of these assets and liabilities, except for the Presbytery's investments. The carrying amount of Presbytery's investments were determined based on quoted market prices.

#### II. CONCENTRATION OF CREDIT RISK

The Presbytery maintains cash balances at institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2010 and 2009 the Presbytery did not have deposits in excess of federally insured limits.

#### III. INVESTMENTS

The Presbytery's investments consisted of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 25,359	25,359
Marketable securities	274,300	251,896
Mission development certificates	<u>262,325</u>	<u>262,325</u>
Total	<u>\$ 561,984</u>	<u>539,580</u>

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices are not available. The Presbytery does not have investments for which quoted market prices when available

PRESBYTERY OF ALASKA

Notes to Financial Statements, continued

The Presbytery's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies or models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and are significant to the fair value measurement. Unobservable inputs reflect the Presbytery's estimate of what hypothetical market participants would use to determine a fair value price for the asset or liability at the reporting date.

The following table provides information as of December 31, 2010 and 2009 about the Presbytery's financial assets and liabilities measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at fair value -				
2010				
Investments	\$ <u>561,984</u>	<u>-</u>	<u>-</u>	<u>561,984</u>
Assets at fair value -				
2009				
Investments	\$ <u>539,580</u>	<u>-</u>	<u>-</u>	<u>539,580</u>

Given the narrow definition of Level 1 and The Presbytery's investment asset strategy, all of The Presbytery's investment assets are classified in Level 1. Changes in investments are run through statement of activities as investment income.

PRESBYTERY OF ALASKA

Notes to Financial Statements, continued

Net Investment earnings for the year ended December 31 consisted of:

	<u>2010</u>	<u>2009</u>
Unrestricted:		
Interest income	\$ 23,425	34,264
Unrealized gain/(loss)	<u>22,404</u>	<u>31,766</u>
Net	\$ <u>45,829</u>	<u>66,030</u>
Temporarily Restricted		
Interest income	\$ 3,363	3,659
Unrealized gain/(loss)	<u>-</u>	<u>-</u>
	\$ <u>3,363</u>	<u>3,659</u>

IV. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2010 and 2009 were \$35,124 and \$31, respectively. This represents the amount of cash receipts in excess of allowable expenses on prior agencies and other donor-imposed restricted contributions.

Net assets temporarily restricted at years ended December 31 comprised of the following:

	<u>2010</u>	<u>2009</u>
Demmert Fund	\$ 817	544
Jackman Leadership	6,360	5,569
Marian Snow Mathes	25,210	22,943
NACC Fund	1,355	1,340
Elliott Lipson Memorial Fund	<u>1,382</u>	<u>1,365</u>
Total	\$ <u>35,124</u>	<u>31,761</u>

PRESBYTERY OF ALASKA

Notes to Financial Statements, continued

**V. DEFERRED REVENUE**

The deferred revenue for Presbytery for years ended December 31 is comprised of the following:

	<u>2010</u>	<u>2009</u>
Leadership Equipping Center	\$ 1,348	7,553
YAVVYM Grant	1,846	1,847
Isabella Brady Grant	2,200	-
DVD Grant	<u>-</u>	<u>2,500</u>
Total	<u>\$ 5,394</u>	<u>11,900</u>

**VI. RETIREMENT ARRANGEMENT WITH STAFF EMPLOYEES**

The Presbytery allows its employees the opportunity for participation in a voluntary, contrib retirement plan of their choice. Several members of the current staff of the Presbytery participa contributing to a 403b retirement plan. There is no expense to the Presbytery under the arrangem.

**VII. FUNCTIONAL EXPENSE ALLOCATION**

The costs of providing the various programs and activities have been summarized on a functi basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

**VIII. SHORT TERM RECEIVABLE**

Presbytery of Alaska made an interest-free loan to Sitka First Presbyterian Church \$20,000 necessary roof repairs. This amount was to be repaid in ten payments of \$2,000 each on the first of each month, beginning June 1, 2009. As of December 31, 2009, Sitka First Presbyterian Chur outstanding balance due on the loan was \$6,000, full amount due within one year. The loan was pai full as of December 31, 2010.

**IX. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 25, 2011, the date which the fina statements were available for issue. No events were identified that would require disclosure accord to generally accepted accounting policies.